MULTIMEDIA UNIVERSITY

STUDENT ID NO

MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 2, 2016/2017

BAC1054 – PRINCIPLES OF MANAGEMENT ACCOUNTING

(All sections / Groups)

9 MARCH 2017
2.30 pm – 4.30 PM
(2 Hours)

INSTRUCTIONS TO STUDENTS

1. This Question paper consists of 4 pages (excluding cover) and FOUR (4) STRUCTURED QUESTIONS

2. Attempt **ALL** the questions. Distribution of the marks for each question is given.

3. Please write all your answers in the Answer Booklet provided.

QUESTION ONE (25 MARKS)

a) Virve Sdn Bhd is a fashion consultant who has just recently started selling clothes via her Instagram account. Previously she only had to deal with a small number of clients and customized her invoices according to the services that she provided for each client. She had rented a small shop where she engaged several seamstresses to sew the clothes she designed and also set up a small office where she does her marketing via all social media. The manufacturing side has a row of sewing machines, design tables, clothes rails and packaging area. The small office has a mini photography studio where she takes pictures of models wearing her clothes and also her computer.

Required

Identify the management accounting functions that is required for her to run her business successfully and give examples of the type of management accounting decisions that she will need to make for her business.

(5 marks)

b) Builder Bug Berhad allocates overhead at RM9 per direct labor hour. Job A45 required 4 boxes of direct materials at a cost of RM30 per box and took employees 20 hours to complete. Employees earn RM15 per hour.

Required

Compute the total cost of Job A45.

(6 marks)

c) Halim Moon Sdn Bhd manufactures dining chairs and tables. The following information is available:

	Dining Chairs	Tables	Total Cost
Machine setups	200	600	RM48,000
Inspections	250	470	RM72,000
Labor hours	2,600	2,400	

The company is considering switching from one overhead rate based on labor hours to activity-based costing.

Required

Perform the following analyses for these two components of overhead:

i. Compute total machine setups and inspection costs assigned to each product, using a single overhead rate. (4 marks)

ii. Compute total machine setups and inspection costs assigned to each product, using activity-based costing. (8 marks)

iii. What will be the impact of the switch from single rate to activity based costing? (2 marks)

Continued..

QUESTION TWO (25 MARKS)

a) Shep Berhad is a service company and it has just started operations in January 2017 and the company combines its operating expenses for budget purposes in a selling and administrative expense budget. For the first quarter of 2017, the following data are developed:

1. unit selling price:	RM30
January sales	5,000 units
February sales	7,000 units
March sales	8,000 units
2. Variable costs **per dollar of sales**:	
Sales commissions	6%
Delivery expense	2%
Advertising	4%
3. Fixed costs **per quarter**:	
Sales salaries	RM24,000
Office salaries	18,000
Depreciation	6,000
Insurance	1,800
Utilities	1,200

All sales are credit sales. Past experience indicates that 60% of the credit sales will be collected in the month of sale and the remaining 40% will be collected in the following month. The company wishes to maintain a minimum cash balance of RM20,000 at the end of each month. The company borrows money from the bank at 6% interest if necessary to maintain the minimum cash balance. Borrowed money is repaid in months when there is an excess cash balance at an interest rate of 6% per annum. The beginning cash balance on January 1 was RM20,000. Other cash disbursements budgeted: (a) dividends of RM30,000 will be paid in January, and (c) bonus of RM5,000 to employees in March.

Required

i) Prepare a **quarterly** selling and administrative expense budget and

(11 marks)

ii) Prepare a **monthly** cash budget for the first quarter of 2017.

(14 marks)

Continued...

QUESTION THREE (25 MARKS)

a) Boon Hock is considering opening a Fast 'n Clean Car Service Center. He estimates that the following costs will be incurred during his first year of operations: Rent RM9,200, Depreciation on equipment RM7,000, Wages RM16,400, Motor oil RM2.00 per quart. He estimates that each oil change will require 5 quarts of oil. Oil filters will cost RM3.00 each. He must also pay The Fast 'n Clean Berhad a franchise fee of RM1.10 per oil change, since he will operate the business as a franchise. In addition, utility costs are expected to behave in relation to the number of oil changes as follows:

Number of Oil Changes	Utility Costs
4,000	RM 6,000
6,000	RM 7,300
9,000	RM 9,600
12,000	RM12,600
14,000	RM15,000

Boon Hock anticipates that he can provide the oil change service with a filter at RM25 each.

Required

(i) Using the high-low method, determine variable costs per unit and total fixed costs.

(8 marks)

(ii) Determine the break-even point in number of oil changes and sales dollars. (8 marks)

(iii) Without regard to your answers in parts (a) and (b), determine the oil changes required to earn net income of RM20,000, assuming fixed costs are RM32,000 and the contribution margin per unit is RM8. (4 marks)

b) Mercer has three product lines in its retail stores: books, videos, and music. Results of the fourth quarter are presented below:

	Books	Music	Videos	Total
Units sold	1,000	2,000	2,000	5,000
Revenue	RM20,000	RM40,000	RM25,000	RM85,000
Variable departmental costs	17,000	22,000	12,000	51,000
Direct fixed costs	1,000	3,000	2,000	6,000
Allocated fixed costs	7,000	7,000	7,000	21,000
Net income (loss)	RM (5,000)	RM 8,000	RM 4,000	RM 7,000

The allocated fixed costs are unavoidable. Demand for individual products are not affected by changes in other product lines.

Required

What will happen to profits if Mercer discontinues the Books product line? Show your computations.

(5 marks)

Continued...

QUESTION FOUR (25 MARKS)

a) Lombard Berhad has two investment centers and has developed the following information:

	Department A	Department B
Departmental controllable margin	RM120,000	?
Average operating assets	?	RM400,000
Sales	800,000	250,000
ROI	10%	12%

Required

i. Compute Department A's average operating assets (2 marks)
ii. Compute Department B's controllable margin. (2 marks)
iii. Compute Department B's new ROI if Department B is able to reduce its operating assets by RM100,000 (3 marks)
iv. Compute Department A's ROI if Department A is able to increase its controllable margin by RM60,000 as a result of reducing cost. (3 marks)

b) Relawan Berhad. manufactures one product called tybos. The company uses a standard cost system and sells each tybo for RM8. At the start of monthly production, Relawan estimated that 9,500 tybos would be produced in March. Relawan has established the following material and labor standards to produce one tybo:

	Standard Quantity	Standard Price
Direct materials	2.5 pounds	RM3 per pound
Direct labor	0.6 hours	RM10 per hour

During March 2016, the following activities were recorded by the company relating to the production of tybos:

1. The company produced 9,000 units during the month.
2. A total of 24,000 pounds of materials were purchased at a cost of RM66,000.
3. A total of 24,000 pounds of materials were used in production.
4. 5,000 hours of labor were incurred during the month at a total wage cost of RM55,000.

Required

Calculate the following variances for March for Relawan Berhad

(a) Materials price variance (3.5 marks)
(b) Materials quantity variance (4 marks)
(c) Labor price variance (3.5 marks)
(d) Labor quantity variance (4 marks)

End of paper.